

Message Text

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ORIGIN XMB-04

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FM SECSTATE WASHDC

TO AMEMBASSY LUSAKA

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E.O. 11652: N/A

TAGS: EGEN, ZA

SUBJECT: EXIMBANK LENDING POLICY

REF: LUSAKA 1480

1. ON AUGUST 7 EXIMBANK DIRECTOR KOBELINSKI AND MEMBERS STAFF MET WITH AMB. MWALE TO DISCUSS GRZ GUARANTEE ON NCHANGA AND ROAN CREDITS AS WELL AS SOVEREIGN IMMUNITY ISSUE. AMB. PROVIDED WITH FULL EXPLANATION FOR EXIMBANK'S REQUIREMENT OF GUARANTEE. EMPHASIS PLACED ON FACTS: (1) IT GENERAL EXIMBANK POLICY TO OBTAIN GOVERNMENT GUARANTEES IN FINANCING EXTRACTIVE INDUSTRIES WHERE GOVERNMENT IN EFFECTIVE CONTROL OF INDUSTRY; 829 THIS CONTROL APPEARED PRESENT IN SUBJECT CASES THROUGH GRZ 51 PERCENT STOCK OWNERSHIP PLUS ABILITY TO TAX, REGULATE PRODUCTION AND EMPLOYMENT, AND APPOINT TOP MANAGEMENT; (3) EXIMBANK HAD REQUIRED GRZ GUARANTEE IN PRELIMINARY COMMITMENT ISSUED ROAN JUNE 18, 1971, ALTHOUGH BANK LATER AGREED TO DELETE GUARANTEE ON UNDER-
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STANDING NO OTHER LENDERS WOULD BE FURNISHED GREATER SECURITY; AND (4) GRZ HAD PROVIDED GUARANTEE ON CREDITS EXTENDED TO NCHANGA AND ROAN BY COMMERCIAL BANKS DURING PAST FEW MONTHS. EXIMBANK OFFICIALS STRESSED GUARANTEE REQUIREMENT NOT REPEAT NOT RELATED

TO CURRENT MINE MANAGEMENT WHICH HELD IN HIGH REGARD.

2. EXIMBANK APPRECIATED REPORT REFTEL THAT GRZ GUARANTEE MAY BE FORTHCOMING ON NCHANGA AND ROAN CREDITS PROVIDING SOVEREIGN IMMUNITY LANGUAGE CAN BE DISPENSED WITH. ACCORDINGLY, EXIMBANK ADVISED AMB. MWALE THAT SOVEREIGN IMMUNITY LANGUAGE IN LOCOMOTIVE CREDIT WOULD BE DISCUSSED WITH PARTICIPATING UNGUARANTEED LENDER CONTINENTAL BANK. ON AUGUST 11 CONTINENTAL BANK, AFTER GIVING FULL CONSIDERATION TO MATTER, INFORMED EXIMBANK THAT IT COULD NOT DISPENSE WITH WAIVER OF SOVEREIGN IMMUNITY REQUIREMENT. SINCE EXIMBANK DOES NOT INSIST ON THIS REQUIREMENT, EXIMBANK WOULD APPRECIATE EMBASSY PRESENTATION OF FOLLOWING ALTERNATIVES TO GRZ, EITHER OF WHICH IS ACCEPTABLE TO EXIMBANK: (1) THE WAIVER OF SOVEREIGN IMMUNITY SET FORTH IN CREDIT AGREEMENT RUNNING EXCLUSIVELY IN FAVOR OF CONTINENTAL BANK, OR (2) A SIDE AGREEMENT BETWEEN GRZ AND CONTINENTAL BANK COVERING WAIVER WHICH COULD THEN BE ELIMINATED FROM CREDIT AGREEMENT. PLEASE ADVISE AS TO GRZ CHOICE AS WELL AS ANY OTHER COMMENTS GRZ HAS ON DRAFT AGREEMENT.

3. CONSIDERING THAT SOME EQUIPMENT DELIVERIES REQUIRED IN NEAR FUTURE OR, IN CASE 707 AIRCRAFT, HAVE ALREADY BEEN MADE, EXIMBANK WILL EXPEDITE SUBMISSION OF DRAFT CREDIT AGREEMENTS TO EXTENT POSSIBLE. STATUS OF MOST RECENT CREDITS OTHER THAN THAT FOR LOCOMOTIVES IS AS FOLLOWS:

A. DRAFT NCHANGA CREDIT AGREEMENT BEING REVIEWED BY PRIVATE LENDER FIRST NATIONAL CITY BANK WHICH IN PROCESS SYNDICATING PRIVATE CREDIT OF \$16.7 MILLION (HALF GUARANTEED BY EXIMBANK). DRAFT WILL ALSO BE REVIEWED BY OTHER COMMERCIAL BANKS JOINING SYNDICATE FOLLOWING WHICH AN AGREED DRAFT TO BE FORWARDED TO NCHANGA.

B. AGREEMENT FOR ROAN CREDIT BEING DRAFTED ON URGENT BASIS AND WILL BE MADE AVAILABLE TO PRIVATE LENDER BARCLAYS BANK IN NEAR FUTURE.

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C. IN AIRCRAFT CASE THE PRIVATE CREDIT OF \$9.7 MILLION NOT COMPLETELY SYNDICATED BY LEAD INSTITUTION CHEMICAL BANK. CHEMICAL HAS OBTAINED \$6.0 MILLION WITHOUT EXIMBANK GUARANTEE, BUT MEETING MARKET RESISTANCE ON REMAINING \$3.7 MILLION. AMB. MWALE WAS ADVISED THAT EXIMBANK IS PREPARED TO CONSIDER TELEX APPLICATION FROM GRZ FOR GUARANTEE ON BALANCE PRIVATE CREDIT TO PERMIT FINANCING TO BE COMPLETED. CHEMICAL INFORMED OF EXIMBANK POSITION. EXIMBANK WILL ENDEAVOR TO HAVE EACH OF ABOVE AGREEMENTS CONSISTENT WITH LOCOMOTIVE AGREEMENT IN TREATMENT SOVEREIGN IMMUNITY ISSUE.

4. EXIMBANK PLEASED TO RECEIVE GRZ DELEGATION AND SUGGEST

10 A.M. AUGUST 29 IN OFFICE DIRECTOR KOBELINSKI, KISSINGER

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<< END OF DOCUMENT >>

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